

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2486 - SB 2583

February 21, 2014

SUMMARY OF BILL: Decreases, from less than \$15.00 to less than \$9.29, the initial exemption from the 8.25 percent state sales tax on fees for subscription to, access to, or use of television programming or television services provided by a video programming service provider offered for public consumption. Subjects the service charges and fees provided by a direct-to-home satellite service provider to such tax, with the initial \$9.28 of such charges and fees being exempt.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – Net Impact – \$18,800

Assumptions:

- Under current law, television programming or television service charges or fees in an amount less than \$15.00 for services provided by a video programming service provider are exempt from the state sales tax. Any monthly charges that are from \$15.00 up to and including \$27.50 are subject to the state tax rate of 8.25 percent and any proceeds from such tax, pursuant to Tenn. Code Ann. § 67-6-103(f), are for state purposes only. On amounts in excess of \$27.50, the state levies a 7.00 percent sales tax and the local government levies a local option sales tax rate, estimated to average 2.50 percent.
- The proposed legislation would lower the initial amount not subject to the state sales tax by \$5.71, from less than \$15.00 to less than \$9.29.
- Under current law, television programming or television service charges or fees by a direct-to-home (DTH) satellite service provider are subject to the state tax rate of 8.25 percent. Federal law prohibits local governments from imposing a tax on services provided by DTH satellite service providers. It is assumed that this federal prohibition will remain in place upon passage of the proposed legislation.
- The proposed legislation would exempt the initial \$9.28 of charges or fees by a DTH satellite service provider from the state sales tax.
- According to the Department of Revenue, all proceeds from the state sales taxes on television programming or television service charges or fees are dedicated state revenues and are not shared with the local government.

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- According to the Department of Revenue, there are approximately 1,298,300 cable television households and approximately 796,800 satellite television households in Tennessee. These numbers are assumed to remain constant in subsequent years.
- The recurring increase in state revenue resulting from lowering the initial exemption on charges and fees for services provided by a video programming service provider is estimated to be \$7,339,160 ($1,298,300 \times \$5.71 \times 12 \text{ months} \times 8.25\%$).
- The recurring decrease in state revenue resulting from exempting the initial \$9.28 of charges and fees for services provided by a DTH satellite service provider is estimated to be \$7,320,361 ($796,800 \times \$9.28 \times 12 \text{ months} \times 8.25\%$).
- The net recurring increase in state revenue as a result of this bill is estimated to be \$18,799 ($\$7,339,160 - \$7,320,361$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read 'Lucian D. Geise', is positioned above the printed name.

Lucian D. Geise, Executive Director

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